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SUBJ: VIEWS OF US BUSINESSMEN ON ECONOMIC AND POLITICAL
TRENDS IN ITALY

SUMMARY- IN PERIODIC MEETINGS BETWEEN AMBASSADOR AND BOARD OF DIRECTORS OF AMERICAN CHAMBER OF COMMERCE IN ITALY, BUSINESSMEN EXPRESSED ACUTE CONCERN OVER POSSIBILITY OF COMMUNIST ENTRY INTO GOVERNMENT AND ADVERSE AFFECTS THIS ELEMENT HAS ON INVESTMENT CLIMATE. BUSINESSMEN ALSO GLOOMY OVER ECONOMIC OUTLOOK IN TERMS OF CONTINUING SLACK IN CONSUMER DEMAND, HIGH INTEREST RATES, LABOR IMMOBILITY AND IRRESPONSIBLE DEMANDS BY LABOR ON MANAGEMENT. END SUMMARY.

1. ON MARCH 12 AMBASSADOR VOLPE MET IN MILAN WITH KEY OFFICERS OF THE BOARD OF DIRECTORS OF THE AMERICAN CHAMBER OF COMMERCE IN ITALY TO DISCUSS ECONOMIC AND POLITICAL TRENDS. PRESENT WERE MANAGING DIRECTORS OF WESTINGHOUSE ELECTRIC; PEAT, MARWICK, MITCHELL AND CO.; SPERRY RAND; GERBER AND CO.; AND 3M. ALSO PRESENT WERE CHAMBER PRESIDENT PHILIP MARFUGGI (LIQUIGAS) AND ONE ITALIAN DIRECTOR OF THE CHAMBER, OTTORINO BELTRAMI, MANAGER OF OLIVETTI.

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2. AT BOARD'S REQUEST, AMBASSADOR DESCRIBED CURRENT POLITICAL SITUATION, INDICATING THAT SUCH RECENT EVENTS AS LOCKHEED SCANDAL AND CRITICISMS OF CIA QTE INTERFERENCE UNQTE HAD FURTHER WEAKENED THE CRISTIAN DEMOCRATS (DC) AND INCREASED MARKEDLY THE POSSIBILITY FOR EARLIER ELECTIONS I.E., POSSIBLY IN JUNE RATHER THAN THE FALL. POSITION OF THE SOCIALIST PARTY (PSI) STILL REMAINED UNCERTAIN AFTER ITS CONGRESS MET, PARTICULARLY ITS FUTURE RELATIONS WITH COMMUNISTS (PCI). ROLE OF SOCIALDEMOCRATS (PSDI) INFUTURE WILL PROBABLY BE MARGINAL, ESPECIALLY IN VIEW OF FACT THAT NEW SECRETARY GENERAL, SARAGAT, IS ELDERLY AND JUST BARELY COMMANDS RESPECT OF PARTY RANK AND FILE. AMBASSADOR EXPRESSED CONCERN OVER LACK OF LEADERSHIP DISPLAYED BY ITALIAN INDUSTRIALISTS SUCH AS CEFIS AND GIANNI AGNELLI, NEITHER OF WHOM HAS ENTERED POLITICAL ARENA ACTIVELY TO STIMULATE NEEDED REVITALIZATION AND REFORM OF DC AND PSI. AMBASSADOR EMPHASIZED THE NEED FOR DC REFORM AND REJUVENATION AT ITS UPCOMING CONGRESS AND EXPRESSED THE VIEW THAT THERE WERE SOME HONEST AND EFFECTIVE ELEMENTS WITHIN THE DC WHO WOULD BE WORKING FOR THIS RESULT AT THE CONGRESS. THE INTRANSIGENCE OF OLD GUARD WOULD BE DIFFICULT TO OVERCOME BUT THE DC MUST BE ENCOURAGED TO DO WHAT WAS NECESSARY. PRESENT GOVERNMENT COULD BE TOPPLED RATHER EASILY ON ANY SINGLE KEY BUT DELICATE ISSUE, SUCH AS ABORTION, ALTHOUGH NO ONE SEEMS TO WANT GENERAL ELECTIONS NOW. AMBASSADOR CONCLUDED BY ASKING BUSINESSMEN TO USE THEIR INFLUENCE TO EXTENT FEASIBLE AND PROPER TO QUICKLY OBTAIN THE NEEDED REFORMS.

3. WITH FEW EXCEPTIONS, MOST BUSINESSMEN, WHILE RECOGNIZING NEED FOR REFORM, EXPRESSED BITTERNESS OVER GOVERNMENT CORRUPTION AND LACK OF EFFECTIVENESS, AND AN UNEASY ACCEPTANCE THAT GENERAL ELECTIONS WOULD PROBABLY COME SOONER RATHER THAN LATER AND THAT THE PCI WOULD PROBABLY ENTER INTO ANY COALITION. ALL WERE EXTREMELY CONCERNED OVER FUTURE OF THEIR OWN COMPANY INVESTMENTS IN FACE OF PROBABLY PCI ENTRY, BUT THEY RECOGNIZED THAT IT WOULD TAKE TIME, PERHAPS AS LONG AS FIVE YEARS, BEFORE PCI COULD CONSOLIDATE ITS POWER TO DIRECT ITS ACTIVITIES AGAINST THEIR OPERATIONS. NONETHELESS MOST COMPANIES WERE HOLDING THE LINE AND IF NOT RETRENCHING, AT LEAST NOT ADDING NEW INVESTMENTS OR LABORERS TO PRESENT WORKFORCE, IN FACE OF POSSIBLE PCI ENTRY.

4. COMPANIES FOR MOST PART FELT GENERAL BUSINESS CONDITIONS HAD LIMITED OFFICIAL USE

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DETERIORATED OVER THE PAST SEVERAL MONTHS. DEMAND HAD NOT PICKED UP AND EXCESS CAPACITY AND INVENTORY ACCUMULATION WERE A CONTINUING PROBLEM. HIGH INTEREST RATES CONTINUED, IN THEIR VIEW, AS A SEVERE LIMITING FACTOR TO GETTING NEEDED WORKING CAPITAL. ONE MAJOR PROBLEM, HOWEVER, WAS THAT ALTHOUGH BUSINESS WAS GENERALLY NOT GOOD IT WAS NOT AS BAD AS STATESIDE HEADQUARTERS BELIEVED IT TO BE AND MANY COMPANY MANAGERS WERE CONTINUOUSLY HASSLING WITH THEIR BOARDS WHO WISHED TO CLOSE DOWN OR SEVERELY

RETRENCH.

5. THE MOST SERIOUS CONCERN (ASIDE FROM THE POLITICAL OUTLOOK), WAS LABOR'S CONTINUING DEMANDS IN FACE OF PRESENT RECESSION. IMPOSSIBILITY OF ACHIEVING WORK REDUCTION IN FACE OF LABOR RESISTENCE WAS CITED AS A PRINCIPAL ECONOMIC PROBLEM. DEMANDS FOR WAGE INCREASES HAVE SLACKENED COMPARED WITH SAME PERIODS A YEAR AGO BUT IMPOSSIBILITY OF CURTAILING LABOR FORCE HAS CONTRIBUTED TO HIGH PRODUCTION COSTS AND DIFFICULTY OF ASSURING COMPETITIVENESS FOR FINAL PRODUCT.

6. MEETING WAS BEST SUMMED UP BY ONE MANAGER WHO, UP TO DECEMBER LAST YEAR, HAD BEEN TELLING EMBASSY THAT BUSINESS WAS GOING WELL DESPITE RECESSION. NOW, IN FACE OF PCI ENTRY INTO GOVERNMENT, DRAWN-OUT RECESSION, AND ABDURATE LABOR DEMANDS, HE PLANNED TO RETRENCH GRADUALLY OVER NEXT SEVERAL YEARS, WORK OFF INVENTORIES, ALLOW CAPITAL TO DEplete, AND EVENTUALLY (BETWEEN 5TH AND 7TH YEARS) WRITE OFF PLANT.

7. AT A LUNCHEON ON MARCH 13 HOSTED BY THE CONSUL GENERAL IN THE AMBASSADOR'S HONOR, GENERAL MANAGER FABIO CAVAZZA OF ECONOMIC NEWSPAPER "24 ORE" CONFIRMED THAT ITALIAN BUSINESSMEN SHARE THE SENSE OF PESSIMISM REGARDING THE CURRENT POLITICAL SITUATION. HE INDICATED THAT CONFINDUSTRIA (OWNER OF THE PAPER) IS MAKING NO CONCERTED EFFORT TO BECOME POLITICALLY INVOLVED TO BOLSTER THE DEMOCRATIC PARTIES AGAINST THE MOUNTING THREAT OF PCI GOVERNMENT PARTICIPATION. CAVAZZA SPECIFICALLY INDICATED THAT ALTHOUGH MR. AGNELLI HEADS CONFINDUSTRIA, "I WANT YOU TO KNOW I DO NOT SHARE HIS POLICIES AND HIS LACK OF COMMITMENT IN OPPOSITION TO THE PCI." CAVAZZA VERY MUCH REGRETTE THE POLITICAL POSTURE BEING TAKEN BY CONFINDUSTRIA AND FELT THERE WAS LITTLE LIKELIHOOD THAT IT WOULD CHANGE IN THE CURRENT ATMOSPHERE.

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